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STRAWBRIDGE & CLOTHIER

PHILADELPHIA

ARDMORE

JENKINTOWN

WILMINGTON

CHERRY HILL
(UNDER CONSTRUCTION)

ANNUAL REPORT

FISCAL YEAR 1960
ended January 28, 1961

STRAWBRIDGE & CLOTHIER

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PHILADELPHIA • ARDMORE • JENKINTOWN • WILMINGTON • CHERRY HILL
(under construction)

BOARD OF DIRECTORS

DWIGHT G. PERKINS, *Chairman*

ROBERT E. STRAWBRIDGE
ISAAC H. CLOTHIER, JR.
FRANCIS R. STRAWBRIDGE
J. CLAYTON STRAWBRIDGE
DONALD C. MILLS
FRANCIS R. STRAWBRIDGE, JR.
G. STOCKTON STRAWBRIDGE
ROBERT E. STRAWBRIDGE, JR.
RANDALL E. COPELAND
FRANK R. VEALE

OFFICERS

DWIGHT G. PERKINS . . . . . *Chairman of the Board*
G. STOCKTON STRAWBRIDGE . . . . . *President*
RANDALL E. COPELAND . . . . . *Executive Vice-President*
J. CLAYTON STRAWBRIDGE . . . . . *Vice-President and Secretary*
FRANCIS R. STRAWBRIDGE, JR. . . . . *Vice-President and Assistant Secretary*
DONALD C. MILLS . . . . . *Vice-President and Treasurer*
FRANK R. VEALE . . . . . *Vice-President and Assistant Secretary*
ROBERT E. SASS . . . . . *Assistant Treasurer*

TRANSFER AGENTS AND REGISTRARS

GIRARD TRUST CORN EXCHANGE BANK, Philadelphia, Pa.
TRANSFER AGENT *for the $5 Cumulative Preferred Stock and* REGISTRAR *for the Common Stock*

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THE FIRST PENNSYLVANIA BANKING & TRUST COMPANY, Philadelphia, Pa.
TRANSFER AGENT *for the Common Stock and* REGISTRAR *for the $5 Cumulative Preferred Stock*

TO OUR SHAREHOLDERS:

By order of the Board of Directors this Annual Report for the fiscal year ended January 28, 1961 is submitted herewith. The Report includes a Summary of Income, Statement of Financial Condition and Statement of Stockholders' Investment, certified by Messrs. Ernst and Ernst, our independent public accountants.

EARNINGS AND OPERATIONS

Net Earnings for 1960 were $1,926,331, compared to $2,102,060 in 1959. Earnings per share amounted to $1.96 compared to $2.17 for 1959.

For the first half of the year we were slightly ahead in sales and earnings on a four store basis. Through the balance of the fiscal year, the most important single factor adversely affecting our business was the severe winter weather. This together with a general softening of the economy produced a decline in sales and earnings for the year.

Although there was a decrease in downtown department store sales in 1960 we are pleased with the share of the market that we obtained as revealed by the Federal Reserve statistics.

The comparison of operating results of 1960 and 1959 is listed below.

	1960	*1959*	*Increase Decrease**
Income before "LIFO" adjustment and taxes	$4,322,374	$4,830,005	$507,631*
"LIFO" adjustment—increase	6,043	91,945	85,902*
Income before taxes	4,316,331	4,738,060	421,729*
Taxes on Income	2,390,000	2,636,000	246,000*
Net Earnings	1,926,331	2,102,060	175,729*
Cash Dividends on Preferred Stock	341,949	351,245	9,296*
Cash Dividends on Common Stock	807,076	807,076	–0–
Earnings retained for use in business	777,306	943,739	166,433*

FINANCIAL CONDITION

The sound financial condition of your Company has been well maintained as is indicated by the following statistics:

	1960	*1959*	*Increase Decrease**
Current Assets	$32,516,458	$33,703,133	$1,186,675*
Current Liabilities	7,819,428	8,687,148	867,720*
Ratio Current Assets to Current Liabilities	4.16 to 1	3.88 to 1	
Working Capital	24,697,030	25,015,985	318,955*
Long-Term Indebtedness	3,212,250	3,636,750	424,500*
Preferred Stock	6,792,000	6,979,900	187,900*
Common Stock Equity	31,717,693	30,946,201	771,492
Book value per Share of Common Stock	39.30	38.34	.96

Common Stock equity reached another all time high at the end of the year. In compliance with the terms of our long-term loan agreement with the Penn Mutual Life Insurance Company, the principal amount was reduced by $400,000.

Regular quarterly dividends of $1.25 were paid on the $5 Cumulative Preferred Stock. The required sinking fund provision on $5 Cumulative Preferred Stock was fulfilled. Quarterly dividends of 25 cents were paid on the Common Stock.

IMPROVEMENTS

Our new Service Building was completed in May and, as anticipated, already is achieving a considerable increase in operating efficiency together with a substantial reduction of expense in the handling of merchandise.

Consistent with our fixed objective of maintaining and improving our store facilities, we have embarked on a program to air-condition the remainder of the Main Store and in 1960 installed a new system on the 10th floor, which has proved effectively beneficial in terms of increased work efficiency.

In last year's Report mention was made of our plan to provide additional parking facilities at the Jenkintown Store. We now have a fine, new parking lot directly across from the Store, which has increased our total parking capacity by almost 40%.

PLANS FOR GROWTH

Construction of our Cherry Hill, New Jersey, Store began September 21, 1960 with the official groundbreaking ceremonies. The opening, which we hope you will plan to attend, will be widely publicized and is set for early October of this year.

You may have read of our decision to invite L. Bamberger and Company of Newark, a division of R. H. Macy and Company, to join us in the Center and we are delighted with their acceptance.

Cherry Hill will be the largest regional shopping center on the eastern seaboard south of New York and one of the largest in the entire United States.

Pursuing our Branch Store expansion program we are pleased to report that in August of 1960 we secured an option on a tract of land on the southwest corner of Baltimore Pike and Kedron Avenue (Route 420) in Springfield Township, Delaware County as the location for our fifth branch store.

Reference also was made in last year's Report to plans for the construction of the largest downtown garage in Philadelphia, to be built by the Philadelphia Parking Authority, and leased to Strawbridge & Clothier and Lit Brothers. It is contemplated that this 1,000 car garage will bridge 8th Street from Arch to Filbert and provide direct customer access to both stores.

FUTURE OUTLOOK

At this time the outlook for 1961 is difficult to predict due to the uncertain trend of general business conditions. However our plans for expansion as set forth above give some indication of our confidence in the economic health and growth potentials of the Delaware Valley Area which we serve.

IN APPRECIATION

The loyalty, enthusiastic support and accomplishments of our entire Store Family have contributed greatly throughout the year and the Board of Directors joins me in expressing sincere appreciation.

Respectfully,

J. Stockton Strawbridge

President.

April 6, 1961.

ERNST & ERNST
PHILADELPHIA

To the Shareholders of
Strawbridge & Clothier

We have examined the statement of financial condition of Strawbridge & Clothier as of January 28, 1961, and the related summary of income, and statement of stockholders' investment for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination and report for the year ended January 30, 1960.

In our opinion, the accompanying statement of financial condition and related summary of income and statement of stockholders' investment present fairly the financial position of Strawbridge & Clothier at January 28, 1961, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

Ernst & Ernst

Philadelphia, Pa.
March 24, 1961

To the Shareholders

The financial statements contained in this report are correct to the best of my knowledge and belief.

Donald C. Mills
Vice-President and Treasurer
Strawbridge & Clothier

April 6, 1961

SUMMARY OF INCOME

	Year Ended	
	January 28, 1961	*January 30, 1960*
Income before deducting interest, depreciation, and provision for income taxes	$ 5,480,654	$ 5,925,157
Deduct:		
Interest	220,500	225,087
Depreciation and amortization	943,823	962,010
	$ 1,164,323	$ 1,187,097
INCOME BEFORE TAXES ON INCOME	$ 4,316,331	$ 4,738,060
Taxes on income—estimated:		
Provision for taxes currently payable:		
Federal income tax	1,912,000	2,170,000
State income tax	215,000	260,000
Provision for future income taxes (principally on installment sale gross profits)	263,000	206,000
	$ 2,390,000	$ 2,636,000
NET EARNINGS	$ 1,926,331	$ 2,102,060

See notes to financial statements

ASSETS

	January 28, 1961	*January 30, 1960*
CURRENT ASSETS		
Cash	$ 2,519,932	$ 2,215,668
Accounts receivable:		
Customers:		
Charge accounts	8,594,277	9,642,008
Installment accounts	11,796,288	11,034,559
Suppliers	593,501	426,048
	$20,984,066	$21,102,615
Less allowance for loss	500,000	500,000
	$20,484,066	$20,602,615
Merchandise inventories (Note A)	8,390,813	8,503,525
	$31,394,811	$31,321,808
Recoverable costs incurred in connection with property to be sold (Note B)	1,121,647	2,381,325
TOTAL CURRENT ASSETS	$32,516,458	$33,703,133
OTHER ASSETS		
Cash on deposit with trustee for redemption of $5.00 Cumulative Preferred Stock (Note C)	191,176	191,183
Miscellaneous accounts receivable and advances	34,744	42,321
Sundry investments, less reserve of $25,000	459,991	199,991
	$685,911	$433,495
PROPERTY, FIXTURES, AND EQUIPMENT—at cost		
Land, buildings, and equipment	35,779,379	34,278,727
Less allowances for depreciation	17,141,175	16,197,352
	$18,638,204	$18,081,375
DEFERRED CHARGES		
Prepaid expenses	483,082	519,544
Supply inventories	229,067	209,114
	$ 712,149	$ 728,658
	$52,552,722	$52,946,661

LIABILITIES AND STOCKHOLDERS' INVESTMENT

	January 28, 1961	*January 30, 1960*
CURRENT LIABILITIES		
Term note installments maturing within one year	$ 424,500	$ 424,500
Accounts payable	3,245,429	2,787,226
Accrued accounts	736,960	728,182
Pay roll taxes and amounts withheld from employees	684,206	289,221
Federal, state, and local taxes—estimated	1,526,564	1,756,250
Dividends payable	201,769	201,769
	$ 6,819,428	$ 6,187,148
Notes payable to banks (Note B)	1,000,000	2,500,000
TOTAL CURRENT LIABILITIES	$ 7,819,428	$ 8,687,148
TERM NOTES PAYABLE—Portion due after one year (Note D)	3,212,250	3,636,750
RESERVES		
For future income taxes (principally on installment sale gross profits)	2,624,662	2,361,662
For deferred compensation and contingencies	386,689	335,000
	$ 3,011,351	$ 2,696,662
TOTAL LIABILITIES	$14,043,029	$15,020,560
STOCKHOLDERS' INVESTMENT		
Capital stock:		
$5.00 Cumulative Preferred Stock, par value $100.00 a share, redeemable at $105.00 a share—at January 28, 1961, authorized 76,239 shares; outstanding 67,920 shares, after deducting 1,818 shares in treasury (outstanding at January 30, 1960, 69,799 shares) (Note C)	6,792,000	6,979,900
Common Stock, par value $5.00 a share—authorized 1,000,000 shares; outstanding 807,099 shares	4,035,495	4,035,495
Capital in addition to par value of shares	4,796,035	4,801,849
Earnings retained for use in the business	22,886,163	22,108,857
TOTAL STOCKHOLDERS' INVESTMENT	$38,509,693	$37,926,101
	$52,552,722	$52,946,661

LONG-TERM LEASE COMMITMENTS (Note E)

See notes to financial statements

STATEMENT OF STOCKHOLDERS' INVESTMENT

	Year Ended	
	January 28, 1961	*January 30, 1960*
CAPITAL STOCK		
Preferred Stock:		
Balance at beginning of year	$ 6,979,900	$ 7,159,100
Less shares acquired during year	187,900	179,200
	$ 6,792,000	$ 6,979,900
Common Stock:		
Balance at beginning and end of year	4,035,495	4,035,495
CAPITAL IN ADDITION TO PAR VALUE OF SHARES		
Balance at beginning of year	4,801,849	4,808,276
Deduct premium paid on acquisition of $5.00 Cumulative Preferred Stock for treasury	5,814	6,427
	$ 4,796,035	$ 4,801,849
EARNINGS RETAINED FOR USE IN THE BUSINESS		
Balance at beginning of year	22,108,857	21,165,118
Add net earnings for the year	1,926,331	2,102,060
	$24,035,188	$23,267,178
Deduct:		
Cash dividends on Preferred Stock ($5.00 a share).	341,949	351,245
Cash dividends on Common Stock ($1.00 a share).	807,076	807,076
	$ 1,149,025	$ 1,158,321
EARNINGS RETAINED FOR USE IN THE BUSINESS	$22,886,163	$22,108,857
TOTAL STOCKHOLDERS' INVESTMENT	$38,509,693	$37,926,101

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

Note A—Inventories of merchandise on hand and in transit are priced at cost on the last-in, first-out basis, determined under principles and by the use of published indices of price changes approved by the Commissioner of Internal Revenue with respect to department stores generally. Such basis of pricing resulted in aggregate amounts for inventories at January 28, 1961, and January 30, 1960, of approximately $2,401,000 and $2,395,000, respectively, less than the amounts which would have been determined under the retail inventory method without regard to last-in, first-out principles.

Note B—Under an agreement with an insurance company, the latter will purchase for $4,000,000 a new store building now being constructed by the Company in Delaware Township, New Jersey (Cherry Hill). The property so conveyed will be leased from the insurance company for a period of twenty-five years (with options to renew at reduced rental or to purchase at end of such term), at a fixed annual rental of $300,000, plus real estate taxes, insurance, and similar charges. Conveyance to the insurance company is scheduled for September, 1961. The proceeds of the conveyance will be applied to payment of bank loans incurred primarily for the purpose of financing this construction. (When completed in May, 1960 the new service building was conveyed to an insurance company under a similar sale-lease back agreement.)

The cost of fixtures, equipment and certain improvements not to be conveyed is estimated to be approximately $2,600,000, which amount will be financed by the issuance of term notes payable over twenty years.

Note C—Sinking fund provisions of the $5.00 Cumulative Preferred Stock require that on April 1st of each year the Company shall redeem shares of such class of stock in an amount of par value equal to two per cent of the greatest amount at any time outstanding after February 1, 1948, and prior to the date of such redemption. In compliance with such provisions, 1,829 shares of the $5.00 Cumulative Preferred Stock were retired on April 1, 1960.

Dividends on the $5.00 Cumulative Preferred Stock have been paid to January 2, 1961; a dividend date.

Note D—The portion of term notes due after one year (amounts due within one year are included in current liabilities) consists of $12,250 payable to a bank in two quarterly installments of $6,125 each, commencing March 1, 1962, and $3,200,000 payable to an insurance company in semi-annual installments, commencing June 1, 1962, over a period of eight years. The loan agreement relating to the latter provides, among other things, that while the loan remains unpaid the Company will maintain minimum working capital of $10,000,000, and that the aggregate after January 31, 1953, of payments of dividends (other than dividends paid in capital stock of the Company) and purchases of capital stock will not exceed the sum of $4,000,000 plus the amount of earnings accumulated after January 31, 1953. The amount of earned surplus which was unrestricted by these provisions was $10,361,378 at January 28, 1961.

Note E—At January 28, 1961, the Company was lessee under five leases with terms, if renewal options are exercised, of not less than twenty years from the above date in each case. The present aggregate annual minimum rentals under all leases is $538,250 plus, in certain instances, real estate taxes, insurance and similar charges, and increased amounts based on percentages of sales.

See Note B for information relating to the new Cherry Hill store under construction.

THIS IS THE FAMOUS

SEAL OF CONFIDENCE

. . . your constant assurance that today, as in 1868, the high principles of storekeeping established by Justus C. Strawbridge and Isaac H. Clothier govern the conduct of our business. Whenever your purchase depends on Confidence, depend on

STRAWBRIDGE & CLOTHIER